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2010 MAY 14 P 12: 58

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF ARIZONA-AMERICAN WATER  
COMPANY, AN ARIZONA CORPORATION,  
FOR A DETERMINATION OF THE  
CURRENT FAIR VALUE OF ITS UTILITY  
PLANT AND PROPERTY AND FOR  
INCREASES IN ITS RATES AND CHARGES  
BASED THEREON FOR UTILITY SERVICE  
BY ITS ANTHEM WATER DISTRICT AND  
ITS SUN CITY WATER DISTRICT, AND  
POSSIBLE RATE CONSOLIDATION FOR  
ALL OF ARIZONA-AMERICAN  
COMPANY'S DISTRICTS.

DOCKET NO. W-01303A-09-0343

Arizona Corporation Commission

**DOCKETED**

MAY 14 2010

DOCKETED BY

IN THE MATTER OF THE APPLICATION  
OF ARIZONA-AMERICAN WATER  
COMPANY, AN ARIZONA CORPORATION,  
FOR A DETERMINATION OF THE  
CURRENT FAIR VALUE OF ITS UTILITY  
PLANT AND PROPERTY AND FOR  
INCREASES IN ITS RATES AND CHARGES  
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BY ITS ANTHEM/AGUA FRIA  
WASTEWATER DISTRICT, ITS SUN CITY  
WASTEWATER DISTRICT AND ITS SUN  
CITY WEST WASTEWATER DISTRICT,  
AND POSSIBLE RATE CONSOLIDATION  
FOR ALL OF ARIZONA-AMERICAN  
COMPANY'S DISTRICTS.


DOCKET NO. SW-01303A-09-0343

**DMB WHITE TANK, LLC'S  
NOTICE OF FILING WITNESS  
SUMMARY**

DMB White Tank, LLC ("DMB") hereby files the summary of the Direct  
Testimony of Daniel T. Kelly pertaining to the establishment of a reasonable rate for the  
sale of sewage effluent produced by the Agua Fria Wastewater District for turf irrigation  
and other non-potable uses.

1 RESPECTFULLY SUBMITTED this 14<sup>th</sup> day of May, 2010.

2 FENNEMORE CRAIG, P.C.

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4 By   
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10 An original and 13 copies  
11 of the foregoing was delivered this  
12 14<sup>th</sup> day of May, 2010, to:

13 Docket Control  
14 Arizona Corporation Commission  
15 1200 W. Washington Street  
16 Phoenix, AZ 85007

17 A copy of the foregoing was  
18 delivered/mailed this 14<sup>th</sup> day of  
19 May, 2010, to:

20 Chairman Kristin K. Mayes  
21 Arizona Corporation Commission  
22 1200 W. Washington Street  
23 Phoenix, AZ 85007

24 Commissioner Gary Pierce  
25 Arizona Corporation Commission  
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Commissioner Sandra D. Kennedy  
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## **SUMMARY OF TESTIMONY OF DANIEL T. KELLY**

Daniel T. Kelly is employed by DMB Associates, Inc., as Senior Vice President of Arizona Development. He is responsible for the day-to-day operation and financial performance of Verrado and the subsidiary entities relating to Verrado, including DMB White Tank, LLC ("DMB"), an Arizona limited liability company. Mr. Kelly is testifying on behalf of DMB in this rate case.

The applicant, Arizona-American Water Company, provides water and sewer utility service to customers and landowners in Verrado, including an 18-hole golf course called the Raven Golf Club, which is owned and operated by DMB. Effluent produced by Arizona-American's wastewater treatment plant in Verrado is sold to DMB and reused for golf course irrigation.

DMB's primary concern is the rate charged for sewage effluent. Arizona-American's Agua Fria Wastewater District, which produces and is responsible for the disposal of effluent, has no rate for effluent in its tariff. Instead, DMB is billed at the rate of \$2.728 per 1,000 gallons for effluent, which is over \$888 per acre-foot, by the Agua Fria Water District. Due to this extremely high rate, DMB is substituting groundwater for effluent, which costs less than \$300 to pump and deliver to the golf course.

DMB would prefer to maximize its use of effluent (and raw Central Arizona Project water, which also costs nearly \$890 per acre-foot) for turf irrigation and other non-potable uses in Verrado, and asks that the Corporation Commission establish a specific rate for effluent that is reasonable and encourages its use.

The rate recommended by DMB for effluent is \$250 per acre-foot. As Mr. Kelly explains, that rate is generally consistent with the rate charged by other private sewer companies regulated by the Commission, including the rate charged by Arizona-American's Mohave Wastewater District. It is slightly less than DMB's cost to use groundwater, and will encourage the use of effluent rather than groundwater.

In addition, the revenue from the sale of effluent could be used to offset some of the costs incurred by the Agua Fria Wastewater District to treat sewage and produce the effluent. This would benefit sewer customers by reducing their rates, while encouraging the use of effluent for golf course irrigation. Thus, setting a price for effluent that is reasonable and encourages its use will benefit everyone.